

City of Alliance
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September 2, 2003

Mr. Joel K. Bladow, Regional Manager
Western Area Power Administration
PO Box 3700
Loveland, CO 80539-3003

Dear Mr. Bladow:

The purpose of this letter is to provide comments to Western Area Power Administration on behalf of City of Alliance regarding the Proposed Rate Adjustment for Transmission and Ancillary Services for the Loveland Area Projects (LAP) of the Western Area Power Administration (WAPA), effective January 2004, as proposed in the Federal Register Notice dated June 13, 2003.

The City of Alliance is a customer of WAPA and purchases its supplemental requirements from the Municipal Energy Agency of Nebraska (MEAN). The City of Alliance is seriously concerned about WAPA's proposed rate for Regulation and Frequency Response Service for Intermittent Renewable Resources. The proposed rate directly affects City of Alliance because it purchases 2% of its energy from the MEAN Wind Project in Kimball. The proposed rate will have a significant economic impact on the cost of wind energy from the MEAN Wind Project in Kimball, potentially increasing costs by approximately \$6.00/Mwh.

The proposed rate is discriminatory in that it singles out renewable resources without similarly charging intermittent loads or other non-renewable resources that are occasionally intermittent. The rate is unreasonable because it is not cost-based, is punitive in nature, and is more than 300% higher than similar rates calculated for other systems, such as the Xcel Energy North system.

Perhaps most importantly, the rate is inconsistent with the Energy Planning and Management Program, which requires MEAN and City of Alliance to describe efforts to minimize adverse environmental impacts in resource planning decisions. MEAN and City of Alliance take this commitment seriously, as evidenced by our participation in the MEAN Wind Project at Kimball. It is unfortunate that WAPA is now proposing to significantly increase the cost of our commitment to minimizing environmental impacts.

We fully support the oral and written comments provided by MEAN during the public comment period. It is our opinion that WAPA should exempt existing renewable resources serving load within the LAP control area. For future renewable resources, detailed studies should be completed to calculate the true cost of providing the service.

The City of Alliance appreciates your consideration of these comments. We appreciate WAPA's history of supporting renewable programs and being responsive to customer concerns.

Sincerely yours,

Robert A. Moore, Electric Dept. Superintendent

C: John Krajewski - MEAN



Alliance Municipal Electric System